

PUBLIC DISCLOSURE

March 31, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank Leumi USA
19842**

**579 Fifth Avenue
New York, New York 10017**

**Federal Deposit Insurance Corporation
350 Fifth Avenue
New York, New York 10118**

NOTE: **This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Bank Leumi USA** prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **March 31, 2010**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

Bank Leumi USA (BLUSA) has demonstrated an excellent responsiveness to the credit needs of its assessment areas, particularly its high level of community development loans. BLUSA has been responsive to all three areas of community development including lending, investments, and services. BLUSA has originated numerous community development loans to support local economic development, social service, and affordable housing projects. Additionally, BLUSA has made investments in and donations to local organizations that have community development as their primary purpose. The total volume of community development loans and qualified investments extended since the previous FDIC CRA Evaluation, of approximately \$370.5 million, represents 7.3 percent of total assets (\$5.1 billion), as of December 31, 2009. BLUSA has also provided an adequate level of community development services.

BLUSA's performance was evaluated using the Community Development Test which considers community development loans, qualified investments, and community services. The bank's overall performance in each of these three areas is summarized below, while its performance in each state is discussed throughout this evaluation.

Community Development Lending

BLUSA has demonstrated an excellent responsiveness to community development by originating a high level of community development loans which are tailored to the community development credit needs of its various assessment areas. The dollar volume of community development loans and commitments extended since the previous FDIC CRA Evaluation totals approximately \$364.2 million, or 7.1 percent of total assets (\$5.1 billion) and 11.4 percent of total loans (\$3.3 billion), as of December 31, 2009.

Community Development Investments

Through its use of qualified investments, BLUSA has exhibited an adequate responsiveness to the community development investment needs of its assessment areas. BLUSA extended approximately \$6.3 million of qualified investments and grants within the assessment areas since the previous FDIC evaluation, which represents 0.1 percent of total assets (\$5.1 billion) and 0.5 percent of total investments (\$1.3 billion), as of December 31, 2009.

Community Development Services

BLUSA has an adequate level of participation in community development services. The bank lends its expertise to promote financial literacy education, provide career development skills, and support local organizations with their affordable housing and social service initiatives.

Compliance with Antidiscrimination Laws

A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the prior evaluation. Additionally, no violations of the substantive provisions of the anti-discrimination laws and regulations were identified during this examination.

DESCRIPTION OF INSTITUTION

BLUSA is a member of Bank Leumi Le-Israel B.M. (BLIS), which is Israel's oldest bank. BLIS is a multinational financial services corporation with a presence in 19 countries. BLUSA maintains 11 branches, 4 in California (BLCA), 3 in New York (BLNY), 2 in Florida (BLFL), and 2 in Illinois (BLIL). BLUSA is wholesale in nature, serving middle-market companies and international businesses with an emphasis on Israeli-oriented activities. The wholesale lending operation, in conjunction with the established business strategy, limits the type of loan products offered by the bank in its assessment area. Deposit products offered include negotiable order of withdrawal accounts, money market accounts, certificates of deposit, and business and personal checking accounts.

As of December 31, 2009, the bank reported total assets of approximately \$5.1 billion, which included the following: \$3.2 billion or 62.7 percent, in net loans; \$1.2 billion or 23.5 percent, in securities; \$320.1 million or 6.3 percent, in cash and bank balances; \$291.0 million or 5.7 percent, in other assets; and \$32.8 million or 0.6 percent, in trading assets. The bank reported total deposits of approximately \$4.3 billion, of which \$1.1 billion or 25.6 percent, was held in foreign offices. Table 1 illustrates the composition of the bank's loan portfolio, as of December 31, 2009.

Wholesale and Limited Purpose Performance Evaluation

Table 1 - Loan Distribution as of 12/31/2009		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	346,353	10.6
Secured by Farmland	5,551	0.2
1-4 Family Residential	47,769	1.5
Multi-Family (5 or more) Residential	32,831	1.0
Commercial	217,574	6.7
Total Real Estate Loans	650,078	20.0
Commercial and Industrial	2,261,787	69.2
Agricultural	0	0.0
Consumer	1,028	0.0
Other – includes \$320,618 lease financing receivables	353,267	10.8
Less: Unearned Income	0	0.0
Total Loans	3,266,160	100.0

Source: December 31, 2009 Report of Condition

The bank received a CRA rating of “Outstanding” at the previous FDIC CRA Evaluation, dated May 29, 2007.

STATE OF NEW YORK

CRA RATING FOR New York: Outstanding.

Bank Leumi New York (BLNY) has an excellent record of supporting community development activities in this assessment area, primarily through its high level of community development loans. The bank also has extended qualified investments and participated in community development services within this assessment area. Community development loans and investments extended since the previous evaluation total approximately \$111.7 million, representing 4.9 percent of total state deposits (\$2.3 billion) and 6.2 percent of total state loans (\$1.8 billion), as of December 31, 2009.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK:

BLUSA operates three branches in New York. All of its branches are located in Midtown Manhattan, in New York County, including its main office. The bank closed its Suffolk County branch in June 2008. BLNY reported total deposits of \$2.3 billion and total loans of \$1.8 billion, as of December 31, 2009. BLNY focuses on lending for commercial and industrial purposes, with an emphasis in the wholesale and international markets.

DESCRIPTION OF INSTITUTION'S NEW YORK ASSESSMENT AREA

CRA requires financial institutions to define an assessment area within which the bank will concentrate its CRA activity and lending efforts. The FDIC evaluates the institution's CRA performance based on its defined assessment area. BLNY's assessment area consists of the five counties of New York City: Bronx, Kings, New York, Queens, and Richmond. The bank's assessment area comprises a portion of the New-York-Wayne-White Plains, NY-NJ Metropolitan Division (MD) #35644, consists entirely of whole geographies, and does not arbitrarily exclude any low- or moderate-income (LMI) census tracts.

The categorization of census tracts is based upon median family income figures established by the U.S. Census. Census tracts are defined by income characteristics as follows: a low-income tract is one in which the median family income is less than 50 percent of the median family income of the Metropolitan Statistical Area (MSA) or MD, if applicable, in which it is located; a moderate-income tract is one in which the median family income is at least 50 percent but less than 80 percent of the median family income of the MSA or MD; a middle-income tract is one in which the median family income is at least 80 percent but less than 120 percent of the median family income of the MSA or MD; and an upper-income tract is one in which the median family income is 120 percent or greater of the median family income of the MSA or MD. The United States Department of Housing and Urban Development (HUD) adjusts the Medium Family Income (MFI) figures on an annual basis. HUD estimated the 2009 MFI for the New York-White Plain-Wayne, NY-NJ Metropolitan Division #35644 at \$64,800.

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The assessment area consists of a total of 2,217 census tracts and a population of approximately 8 million. Table 2 illustrates additional demographic characteristics of the assessment area:

Table 2 – Assessment Area Demographics (New York)							
	Percentage of Distribution by Census Tract Income Level					Median	
Income Level	Census Tracts	Population	Households	Owner Occupied	Businesses with ≤ \$ 1 MM Revenue	Home Value*	Gross Rent**
Low	14.7	16.8	14.7	3.3	9.4	\$190,896	\$476
Moderate	27.7	31.4	28.9	17.3	22.2	\$202,040	\$660
Middle	29.9	27.0	26.6	34.4	22.6	\$204,190	\$769
Upper	25.1	24.6	29.8	45.0	44.6	\$336,003	\$1,077
NA	2.6	0.2	0.0	0.0	1.2	-	\$551
Total	100.0	100.0	100.0	100.0	100.0	229,550	\$746

Source: 2000 U.S. Census. * Owner-Occupied Units. ** Renter-Occupied Units

A diversified mix of national and international corporations is located within New York County, commonly known as Manhattan. The downtown area is dominated by the financial industry and is home to the New York Stock Exchange. There are numerous large national banks, international banks, and large mortgage companies operating within the county.

New York City's economy is in a recession, but has started to moderate. The city's economy is fairly diverse and includes several sectors that are less affected by the economic cycles, such as education and healthcare services, which also comprise the city's largest employers. The area's economy is also tied to the U.S. financial markets, as jobs are highly concentrated in the financial activities and professional and business service sectors.

New York's job growth has slowed considerably. The unemployment rate, at 9.0 percent as of September 2009, is lower than the national rate of 9.7 percent; however, according to moodys.com, the unemployment rate is expected to rise to 10.0 percent by the middle of 2010 as layoffs persist, particularly in the financial sector. The loss of Wall Street jobs, which account for nearly 20.0 percent of New York City's tax revenue, in addition to the loss of personal income tax revenue collections (as severance packages of laid-off Wall Street employees expire) will further hamper any signs of recovery in the financial sector area. Consumer delinquency rates have also caught up to the national delinquency rate during the past six months.

There is a high level of competition to provide banking services within the bank's assessment area. The area is dominated by JP Morgan Chase Bank, Bank of America, Citibank, and HSBC.

A review of two community contacts was conducted to assist in developing the performance context for this evaluation. The first contact stressed the need for a better effort by banks to provide residential loans and mortgage modifications. Another concern was the lack of basic financial education and outreach performed by local institutions. The second contact felt small businesses have had difficulty obtaining small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK:

COMMUNITY DEVELOPMENT LENDING

A community development loan is a loan that has community development as its primary purpose and that has not been reported or collected by the bank as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling. Community development is defined in Part 345.12(h) of the FDIC Rules and Regulations as affordable housing for LMI individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company (SBIC) programs or have gross annual revenues of \$1.0 million or less; or activities that revitalize or stabilize LMI geographies.

The bank's community development lending activities were evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available by the bank; (2) the responsiveness of the bank's community development lending; and (3) the extent of leadership the bank has demonstrated in community development lending. This methodology was used for the review/analysis of each assessment area throughout this Public Disclosure.

BLNY has demonstrated an excellent responsiveness to community development by originating a high level of community development loans within this assessment area. Since the previous evaluation the bank has extended or renewed 13 community development loans or lines of credit, totaling approximately \$109.0 million, or 4.7 percent of total state deposits (\$2.3 billion) and 6.1 percent of total state loans (\$1.8 billion), as of December 31, 2009. The following list details six of the larger community development lending commitments and originations made during the evaluation period by BLNY, and are representative of the type of community development loans extended by the bank.

- In June 2009, BLNY originated a \$13.0 million construction loan to develop a mixed-use building in a moderate-income census tract in Bronx County, which will provide affordable housing. The building contains 166 rental apartments with retail space on the street level. A review of the proposed rents charged for these units indicated the units will, in fact, provide affordable housing. In addition, the retail space will also provide employment opportunities for area residents.
- In July 2009, BLNY originated a \$20.0 million line of credit to a company that promotes economic development through the provision of assistance to small businesses. The line was extended to a company primarily engaged in the business of servicing accounts receivable needs of small businesses. Many of the businesses the company handles are manufacturers, importers, and start-up businesses. The company also provides advice and guidance to ensure small businesses are given the support needed to succeed.

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- In each year of the evaluation period, BLNY approved and renewed a \$20.0 million line of credit to a company that manufactures and imports clothing. The warehouse operation is located in an upper-income area; however, it borders several LMI census tracts. This line of credit provides economic stability and employment opportunities to the immediately adjacent LMI areas through the ongoing operations of this business.
- In each year of the evaluation period, BLNY renewed an \$11.5 million facility, including a \$4.5 million line of credit and a \$7.0 million bridge loan, to a local retail corporation. The borrower operates a chain of thirty-one retail stores that are primarily located in LMI neighborhoods throughout Brooklyn, Manhattan, Queens, and the Bronx. These stores have an economically stabilizing effect in LMI areas by providing both jobs and services in the community.
- In June 2008, BLNY renewed an \$8.0 million line of credit to one of the largest nonprofit mental health and social service organizations in the nation, which is located in New York City. The line of credit is used to provide operating income for the organization, which provides clinical support for LMI individuals.
- In 2007, BLNY renewed a \$1.7 million line of credit to a company that provides tutoring services and test preparation to LMI students from kindergarten to 12th grade. In August 2009, the line of credit was increased to \$6.0 million. The company provides high quality professional tutoring, and individual test preparation. The company's Board of Directors reviews all applicants to ensure they qualify as low-and moderate-income families.

COMMUNITY DEVELOPMENT INVESTMENTS

The review in this area included an evaluation of the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors. This methodology was used for the analysis/review of each assessment area throughout this Public Disclosure.

The bank has extended or maintained an adequate amount of qualified investments since the previous FDIC CRA Evaluation. These investments, totaling approximately \$2.7 million and representing approximately 0.1 percent of total state deposits (\$2.3 billion), are detailed below.

- BLUSA has continued its investment of \$5.25 million in The Community Reinvestment Act Qualified Investment Fund (the Fund). The Fund primarily invests in mortgage-related securities that promote affordable housing for LMI individuals, municipal bonds

whose primary purpose is community development, securities issued by the Small Business Administration, and certificates of deposit in certified Community Development Financial Institutions (CDFIs). The investments chosen by the Fund are targeted towards specific geographic areas designated by the participating financial institutions. Of BLUSA's \$5.25 million investment, \$2.25 million has been allocated to the BLNY assessment area.

- BLNY continues to maintain deposit relationships with two local CDFIs. The bank holds a \$100,000 certificate of deposit (CD) at the Union Settlement Federal Credit Union and another \$100,000 CD at the Bethex Federal Credit Union. Both certificates renew annually, and both are currently scheduled to mature in September 2010.
- BLNY continues its investment of \$100,000 in the Statewide Zone Capital Corporation (SZCC). SZCC is a privately-owned loan and investment fund whose capital is used to promote the economic development in designated geographic areas for the expansion and growth of new and existing businesses located within New York. The New York Business Development Corporation (NYBDC) manages the SZCC loan and investment funds.

In addition, BLNY contributed \$124,500 to numerous local organizations throughout its assessment area that met the definition of community development, including organizations that provide affordable housing services, homeownership counseling, food, clothing, and shelter for LMI individuals. The following are some of the larger donations and are representative of the type of donations made by the bank:

- BLNY donated \$22,500 to Covenant House, an organization engaged in assisting homeless individuals within New York City. In addition, Covenant House provides comprehensive primary clinical care, serving homeless, runaway, and at-risk young people, and provides medical services for adolescent mothers and their babies.
- BLNY donated \$10,000 to New York Cares, a not-for-profit organization that brings vital volunteer support to thousands of non-profit agencies, public schools, and other deserving organizations. Some of the projects New York Cares participates in are food drives, disaster preparedness awareness, and youth services.
- The bank donated \$9,000 to the South Bronx Overall Economic Development Corporation, an organization engaged in enhancing the quality of life in the South Bronx by strengthening businesses, and creating and implementing innovative economic, housing, educational, and career development programs for LMI individuals.
- The bank donated \$8,500 to Good Shepherd, a non-profit organization that provides various services to children from LMI families and helps them become self-sufficient.

COMMUNITY DEVELOPMENT SERVICES

Community development services are evaluated based upon the extent to which services are offered and used, the innovativeness of the service, the degree to which the service assists low- or moderate-income areas or individuals, and their responsiveness to available opportunities for community development services. This methodology was used for the analysis of each assessment area throughout this Public Disclosure.

BLNY has provided an adequate level of community development services within this assessment area. The services that have been provided focused on using bank management's financial expertise to promote financial literacy.

- BLNY continues to sponsor LMI students as interns in training and mentoring programs organized by the NYC Financial Services Partnership for Youth, The Grace Institute, and Covenant House. The program strives to develop financial industry job training skills for underprivileged students. During the evaluation period, BLNY employed over 20 interns in the program and hired 12 as permanent employees.
- An employee of the bank conducted a financial education class to the Bronx Community High School, which is a charter school for LMI students.
- The bank's CRA officer sits on the Brooklyn Legal Services Advisory Committee providing financial advice to the organization. The Brooklyn Legal Services Corporation A provides legal services to LMI individuals throughout Kings County.
- Bank employees conducted mock interviews with LMI individuals who were afforded a "second chance" within the context of the Manhattan Criminal Court system. The bank gave each interviewee feedback on how a professional interview will be conducted to assist them in finding employment.

STATE OF CALIFORNIA

CRA RATING FOR California: Outstanding.

Bank Leumi California (BLCA) has an excellent record of helping to meet the community development needs within its assessment areas in the State of California. BLCA primarily achieves this through its high level of community development lending, although the bank has also extended qualified investments and participated in community development services within its assessment areas. Community development loans and investments total approximately \$178.2 million, or 30.5 percent of total state deposits (\$584.4 million) and 25.1 percent of total state loans (\$708.7 million), as of December 31, 2009.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN *California*:

BLUSA operates four branches in California. The Encino, Beverly Hills, and downtown Los Angeles branches are located in Los Angeles County, while one branch is located in the Silicon Valley area within San Mateo County. As of December 31, 2009, BLCA branches reported total deposits of \$584.4 million and total loans of \$708.7 million. BLCA focuses on lending for commercial and industrial purposes, with an emphasis in the wholesale textile, and consumer electronics industries.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *California*:

COMMUNITY DEVELOPMENT LENDING

BLCA has demonstrated an excellent responsiveness to the community development lending needs of its California assessment areas by providing a high level of community development loans. During this evaluation period, community development originations and commitments totaled \$177.1 million, representing 30.3 percent of total state deposits (\$584.4 million) and 25.0 percent of total state loans (\$708.7 million), as of December 31, 2009.

COMMUNITY DEVELOPMENT INVESTMENTS

BLCA has an adequate amount of community development investments within its California assessment areas. BLCA's qualified investments total approximately \$1.2 million, 0.2 percent of total state deposits (\$584.4 million), as of December 31, 2001. BLCA's primary investment within the State of California was a \$1.0 million allocation of BLUSA's investment in the CRA Fund.

COMMUNITY DEVELOPMENT SERVICES

BLCA has an adequate level of community development services within its California assessment areas. Management continues to teach financial literacy within the local communities and participates with various advisory organizations.

METROPOLITAN DIVISIONS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN LOS ANGELES MD:

BLCA operates three branches in Los Angeles County, one located in Encino, one in downtown Los Angeles, and one in Beverly Hills, which is considered the bank's main office in California (BLLA). As of December 31, 2009, total deposits of these branches were \$354.0 million while total loans were \$681.3 million.

DESCRIPTION OF THE LOS ANGELES MD ASSESSMENT AREA

The Los Angeles assessment area is entirely within the Los Angeles-Long Beach-Glendale, California MD #31084, which is comprised of 2,054 census tracts. According to 2000 U.S. Census data, the census tracts are categorized as follows: 179 or 8.7 percent, are low-income; 581 or 28.3 percent, are moderate-income; 575 or 28.0 percent, are middle-income; 703 or 34.2 percent, are upper-income; and 16 or 0.8 percent, for which no income information is available. The HUD estimated 2009 median family income for MD #31804 was \$62,100. Table 3 illustrates additional demographic characteristics of the assessment area:

Table 3 – Assessment Area Demographics (Los Angeles)							
	Percentage of Distribution by Census Tract Income Level					Median	
Income Level	Census Tracts	Population	Households	Owner Occupied	Businesses with ≤ \$ 1 MM Revenue	Home Value*	Gross Rent**
Low	8.7	8.0	7.1	1.9	7.2	\$146,135	\$514
Moderate	28.3	29.4	25.6	15.5	20.4	\$154,235	\$630
Middle	28.0	30.9	30.1	31.3	26.7	\$177,188	\$758
Upper	34.2	31.6	37.2	51.3	45.1	\$350,292	\$977
NA	0.8	0.1	0.0	0.0	0.6	-	\$538
Total	100.0	100.0	100.0	100.0	100.0	\$263,542	\$737

Source: 2000 U.S. Census. * Owner-Occupied Units. ** Renter-Occupied Units

Los Angeles is emerging from a deep recession. According to moodys.com, job cuts continue, but the pace of cuts is at the slowest rate since the first half of 2008. Food and transportation manufacturers and retailers have been the largest contributors to job losses in recent months. Business service providers such as architects and consultants are among the industries adding workers amid improving optimism for the future. The decline in mortgage delinquencies and foreclosures has stabilized the housing market, and as house prices stabilize, the pace of growth in home sales slows. Los Angeles' economy will continue to grow moderately in 2010 before picking up strength in 2011. The unemployment rate is expected to increase further, passing 13.0 percent before peaking in the middle of next year. Los Angeles' exposure to the entertainment industry and international trade will continue to contribute to the economic growth. However, high costs and migration out of Los Angeles will dampen job and output growth over the long run, making Los Angeles a below-average performer.

A recent community contact was of the opinion that the biggest credit needs in the area are mortgage loans and small business loans. Mortgage loans, especially for affordable housing, and particularly entry level housing with several bedrooms for large or extended families, was identified as the most prominent need in several areas. Regarding small business loans, banks need to promote their small business lending programs in meaningful and productive ways in order to meet community credit needs. In addition, the contact feels the Los Angeles economy should start to see improvement, according to his research and the leading economic indicators.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOS ANGELES:

COMMUNITY DEVELOPMENT LENDING

BLLA has demonstrated an excellent responsiveness to community development lending by originating a high level of community development loans within its assessment area. Since the previous evaluation, the bank has extended or renewed 32 community development loans or lines of credit totaling approximately \$177.1 million, or 50.0 percent of total deposits (\$354.0 million) and 26.0 percent of loans (\$681.3 million), as of December 31, 2009. The following list details five of the larger community development lending commitments and originations made during the evaluation period by BLLA, and are representative of the type of community development loans extended by the bank.

- In 2009, BLLA renewed a \$21.5 million line of credit to a company that imports, manufactures, and wholesales car audio equipment. The company's warehouse is located in a moderate-income census tract and the area is designated as economically depressed by The Community Redevelopment Agency of Los Angeles (CRALA), a public agency established to revitalize economically depressed areas. The CRALA has the authority to designate specific areas in Los Angeles as economically depressed, and then offers incentives for economic development and job creation to companies or individuals undertaking redevelopment within those areas. The warehouse promotes employment opportunities to LMI individuals, in addition to stabilizing the area.
- During each year of the evaluation the bank renewed and/or increased a line of credit to a fabric importer and wholesaler. Currently, \$15.8 million is available to the company. The company's warehouse is located in a low-income census tract and the area is economically depressed as designated by the CRALA. The warehouse promotes employment opportunities to low-and moderate-income individuals in the surrounding areas, and also helps in stabilizing the area.
- In 2009, BLLA renewed a \$15.0 million line of credit to a fabric importer and wholesaler. The company's warehouse is located in a moderate-income census tract. The area is also economically depressed as designated by the CRALA. The warehouse promotes employment opportunities to LMI individuals, in addition to stabilizing the area.

- In September 2007, the bank renewed a \$15.0 million line of credit to a company that operates 28 parking lots in downtown Los Angeles, with the majority in LMI census tracts. Many of the parking lots are located near the Los Angeles Airport. The line of credit is used for general working capital needs including payment to employees. The line helps maintain jobs for LMI individuals working at the parking lots, and stabilizes the areas where the parking lots are located.
- In 2007, BLLA originated an \$11.2 million loan that was used to renovate three buildings that will be converted to condominiums or apartments. This project is located in a low-income area that is economically depressed as designated by the CRLA. This area has been undergoing a transformation from older office buildings to converted lofts/apartments/condominiums. Currently, there are plans to develop multiple housing units within this area, which includes the downtown Los Angeles business district. This project is helping to revitalize and stabilize this low-income geography, as well as the surrounding LMI neighborhoods.

COMMUNITY DEVELOPMENT INVESTMENTS

BLLA has extended or maintained an adequate amount of qualified investments since the previous FDIC CRA Evaluation. These investments, totaling approximately \$889,500 and representing approximately 0.3 percent of total deposits (\$354.0 million), are detailed below.

- The bank's major community development investment is its allocation of \$750,000 of its CRA Fund to the Los Angeles area.
- The bank continues to maintain its \$100,000 CD annually with the CDFI Pacoima Credit Union.

Since the previous FDIC evaluation, BLCA contributed \$39,500 to various local community development organizations that serve the Los Angeles assessment area. The following are two of the larger donations and represent the type of donations given by the bank:

- The bank donated \$8,000 to the Los Angeles Neighborhood Service, an organization that strengthens communities through the development and maintenance of quality affordable housing, creation and preservation of affordable homeownership opportunities, provides financial education, and increases the financial independence of LMI families and individuals.
- The bank donated \$7,500 to the Community Financial Resource Center, an organization that is dedicated to providing financial services and counseling to low-income individuals and businesses in Los Angeles County.

COMMUNITY DEVELOPMENT SERVICES

BLLA has provided an adequate level of community development services within its assessment area. The services that have been provided focused on using bank management's financial expertise to promote financial literacy.

- A bank officer continues to teach children from LMI families financial literacy through Operation Hope's "Banking on our Future" program. Operation Hope is a local non-profit organization that provides economic education and credit counseling.
- A bank officer continues to sit on the Board of Neighborhood Housing Services of California. The Neighborhood Housing Services of California's focus is improving affordable housing throughout the Los Angeles Area. The bank officer provides financial advice to the organization.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN *San Mateo MD*:

BLCA operates one branch in Palo Alto, California, which is located in San Mateo County, and is also known as the Silicon Valley. The branch (BLPA), as of December 31, 2009, had total deposits of \$230.4 million and total loans of \$27.4 million.

DESCRIPTION OF THE SAN MATEO MD ASSESSMENT AREA

The bank has designated San Mateo County as the assessment area for the Palo Alto branch. San Mateo County is located in the San Francisco-San Mateo-Redwood City, CA MD #41884, and consists of 155 census tracts. According to 2000 U.S. Census data, the census tracts are categorized as follows: 2 or 1.3 percent, are low-income; 24 or 15.4 percent, are moderate-income; 68 or 43.9 percent are middle-income; 59 or 38.0 percent, are upper-income; and 2 or 1.3 percent, for which income was not available. The HUD estimated 2009 median family income for MD #41884 was \$96,800. Table 4 illustrates additional demographic characteristics of the assessment area:

Table 4– Assessment Area Demographics (San Mateo)							
	Percentage of Distribution by Census Tract Income Level					Median	
Income Level	Census Tracts	Population	Households	Owner Occupied	Businesses with ≤ \$ 1 MM Revenue	Home Value*	Gross Rent**
Low	1.3	1.6	1.4	0.3	2.9	\$427,099	\$850
Moderate	15.4	19.1	15.4	9.4	13.0	\$314,254	\$1,011
Middle	43.9	46.0	46.3	46.5	46.0	\$393,326	\$1,153
Upper	38.1	33.3	36.9	43.8	38.0	\$697,201	\$1,414
NA	1.3	0.0	0.0	0.0	0.1	-	-
Total	100.0	100.0	100.0	100.0	100.0	\$523,752	\$1,177

Source: 2000 U.S. Census. * Owner-Occupied Units. ** Renter-Occupied Units

According to moodys.com, Palo Alto's economy is recovering from the deep recession and moving toward recovery. Improvements in employment and output are visible in the metro division's financial services and internet-related industries. However, total employment continues to fall, and job losses are only just beginning to slow. Visitor-dependent industries, local government, scientific research and development, and advertising are the largest contributors to job losses in recent months. The housing market has continued to improve, led by rising house prices. However, mortgage credit conditions are deteriorating, and the volume of foreclosures is still growing.

CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS IN *San Mateo MD*:

BLPA has an adequate record of supporting community development activities in its assessment area, focusing on community development investments. Qualified community investments and donations total \$256,500, and represent 0.1 percent of total branch deposits (\$230.4 million) and 0.9 percent of total branch loans (\$27.4 million), as of December 31, 2010.

COMMUNITY DEVELOPMENT LENDING

As of this evaluation, the BLPA has not originated or renewed any community development loans.

COMMUNITY DEVELOPMENT INVESTMENTS

BLPA invested an adequate amount of qualified investments within this assessment area, totaling approximately \$256,500, which represents 0.1 percent of total branch deposits (\$230.4 million), as of December 31, 2009. The bank allocated \$250,000 of the CRA Fund Investment to the Palo Alto branch. In addition, the bank contributed \$4,000 to the Northern California Community Fund, a nonprofit lender that provides technical assistance and helps revitalize low-income communities in Northern California. In addition, BLPA donated \$2,500 to Lenders for Community Development, an organization that provides affordable housing and small business loans in its assessment area.

COMMUNITY DEVELOPMENT SERVICES

As of this evaluation, BLPA has not participated in any community development services

STATE OF FLORIDA

CRA RATING FOR Florida: Outstanding.

Bank Leumi Florida (BLFL) has an excellent record of meeting the community development needs of its assessment area in the State of Florida, primarily through its high level of community development loans within its assessment area. The bank also has extended qualified investments and participated in community development services. Community development loans and investments total \$35.7 million, representing 30.2 percent of total state deposits (\$118.2 million) and 12.9 percent of total state loans (\$277.0 million), as of December 31, 2009.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN FLORIDA:

BLUSA operates two branches in the state of Florida. The two branches are located in Boca Raton and Aventura. The bank closed its Miami branch in April 2008. BLFL reported total deposits of \$118.2 million and total loans of \$277.0 million, as of December 31, 2009.

DESCRIPTION OF FLORIDA ASSESSMENT AREA

The Florida assessment area includes the counties of Broward and Palm Beach, both of which are located within, and comprise, the Miami-Fort Lauderdale-Miami Beach, FL MSA #33100. According to 2000 U.S. Census data, the assessment area is comprised of 554 census tracts, which are categorized as follows: 28 or 5.2 percent are low-income; 141 or 25.9 percent, are moderate-income; 206 or 37.9 percent, are middle-income; 167 or 30.7 percent, are upper-income; and 2 or 0.3 percent, for which no income information is available. Table 5 illustrates additional demographic characteristics of the assessment area.

Table 5 – Assessment Area Demographics (Florida)							
	Percentage of Distribution by Census Tract Income Level					Median	
Income Level	Census Tracts	Population	Households	Owner Occupied	Businesses with ≤ \$ 1 MM Revenue	Home Value*	Gross Rent**
Low	5.2	3.8	3.1	1.3	3.6	\$68,584	\$518
Moderate	25.9	27.6	27.5	24.1	21.2	\$73,894	\$663
Middle	37.9	39.3	41.1	41.7	38.8	\$107,644	\$820
Upper	30.7	29.1	28.3	32.9	36.3	\$201,668	\$1,005
NA	0.3	0.2	0.0	0.0	0.1	-	-
Total	100.0	100.0	100.0	100.0	100.0	\$137,061	\$772

Source: 2000 U.S. Census. * Owner-Occupied Units. ** Renter-Occupied Units

Moodys.com described the Florida economy as yet to transition from recession to recovery. Signs of improvement have been uneven, but there have been some positive developments. Early-stage mortgage delinquencies are moderating, initial claims for unemployment insurance are subsiding, and consumer confidence is improving. Also, federal incentives have successfully invigorated home sales and industrial production. A number of hurdles remain as foreclosures

are mounting and the unemployment rate is a percentage point above the national average. The unemployment rate may be painting an optimistic picture, as the labor force has been declining since 2008. The publication indicated recovery will be slower, delayed, and less robust than that of the nation. A weak housing market remains the primary impediment, although risks are weighted to the upside. Decennial census hiring will lift payrolls over the next few months.

A review of a recent community contact revealed there are fewer opportunities for bank participation in the area due to unfavorable economic conditions; however, the contact feels that there is a need for banks to offer loans through SBA's America's Recovery Capital Loan Program. This program provides up to \$35,000 in short-term relief for viable small businesses facing immediate financial hardship to help ride out the current uncertain economic times and return to profitability.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FLORIDA:

COMMUNITY DEVELOPMENT LENDING

BLFL has demonstrated an excellent responsiveness to community development needs with a high level of community development loans within this assessment area. Since the previous evaluation, the bank has extended or renewed 13 community development loans or lines of credit, totaling approximately \$34.7 million, or 29.4 percent of total state deposits (\$118.2 million) and 12.5 percent of total state loans (\$277.0 million), as of December 31, 2009. The following are some of the larger community development lending commitments and originations made during the evaluation period by BLFL, and are representative of the type of community development loans extended by the bank:

- In 2009, BLFL originated a \$6.9 million facility, including a \$2.3 million term loan and a \$4.6 million line of credit, to a company that distributes healthcare, hair care, and pharmaceutical products. The company's office and warehouse are located in a moderate-income census tract, providing stability for the area through the jobs provided at the warehouse.
- In 2008, BLFL originated a \$5.0 million facility, including a \$3.5 million line of credit and a \$1.5 term loan, to a company that exports industrial paper products such as toilet paper and paper towels. The company's warehouse is located in a moderate-income census tract, which stabilizes and provides employment opportunities for the area.
- During the evaluation period, BLFL renewed three lines of credit for a total of \$5.5 million to companies that provide health care to LMI patients. The loans were extended to nursing homes or other healthcare providers whose primary funding source was Medicaid, which is the government health insurance program for LMI individuals. Over 51 percent of the patients of these facilities are eligible for Medicaid benefits, indicating they were assisting LMI individuals.

COMMUNITY DEVELOPMENT INVESTMENTS

BLFL invested an adequate amount of qualified investments within this assessment area, totaling approximately \$1.0 million, which represents 0.8 percent of total state deposits (\$118.2 million), as of December 31, 2009. The bank allocated \$1.0 million of the CRA Fund Investment to its Florida operations. In addition, the bank contributed \$29,000 to various community development organizations including: Habitat for Humanity of Palm Beach County, Miami-Dade Neighborhood Housing Services, Daily Bread Food Bank, the Camillus House, and the Palm Beach County Literacy Coalition.

COMMUNITY DEVELOPMENT SERVICES

BLFL has provided an adequate level of community development services within this assessment area. The services that have been provided focused on using bank management's financial expertise to promote financial literacy and affordable housing. The following are the community development services provided by BLFL during the evaluation period.

- A bank officer provides financial advice to the Neighborhood Housing Service, an organization that strengthens communities through the development and maintenance of quality affordable housing, creation and preservation of affordable homeownership opportunities, and provides financial education and increases the financial independence of LMI families and individuals.
- The Boca Raton branch personnel continue to volunteer by reviewing and judging essays written by individuals that are improving their literacy skills in preparation for taking the GED test.

STATE OF ILLINOIS

CRA RATING FOR Illinois: Outstanding.

Bank Leumi Illinois (BLIL) has an excellent record of supporting community development activities in its Illinois assessment area, primarily through its high level of community development loans. The bank has also extended qualified investments and has participated in community development services. Community development loans and investments total \$44.4 million, which represents 27.1 percent of total state deposits (\$163.9 million) and 16.2 percent of total state loans (\$274.9 million), as of December 31, 2009.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN *Illinois*:

BLIL operates two branches in the State of Illinois. One branch is located in downtown Chicago, while the other branch is located in Highland Park, a suburb of Chicago. The Chicago branches reported \$163.9 million in deposits and \$274.9 million in loans as of December 31, 2009. BLIL focuses on lending for commercial and industrial purposes, with a specialization of lending for the purchase and operation of nursing homes, especially those homes working with LMI individuals.

DESCRIPTION OF ILLINOIS ASSESSMENT AREA

BLIL's assessment area includes the following counties; Cook, DuPage, McHenry, Lake, and Will. These counties all comprise a portion of, and are located within, the Chicago-Naperville-Joliet, IL-IN-WI MSA #16980. According to 2000 U.S. Census data, this assessment area is comprised of 1,770 census tracts, which are categorized as follows: 238, or 13.5 percent, are low-income; 444 or 25.1 percent, are moderate-income; 602 or 34.0 percent, are middle-income; 470 or 26.6 percent, are upper-income; and 16 or 0.8 percent, for which no income information is available. Table 6 illustrates additional demographic characteristics of the assessment area.

Table 6 – Assessment Area Demographics (Illinois)							
	Percentage of Distribution by Census Tract Income Level					Median	
Income Level	Census Tracts	Population	Households	Owner Occupied	Businesses with ≤ \$ 1 MM Revenue	Home Value*	Gross Rent**
Low	13.5	8.0	6.9	2.7	3.8	97,809	460
Moderate	25.1	24.3	22.2	15.7	14.8	112,735	599
Middle	34.0	37.9	39.5	43.6	36.4	149,344	728
Upper	26.6	29.8	31.4	38.0	44.8	256,548	936
NA	0.8	0.0	0.0	0.0	0.2	129,545	486
Total	100.0	100.0	100.0	100.0	100.0	\$187,323	\$685

Source: 2000 U.S. Census. * Owner-Occupied Units. ** Renter-Occupied Units

According to moodys.com, Illinois may have passed through the worst of the recession, but fiscal woes and further job losses are inhibiting growth. The state's jobless rate stands at 11.1 percent, more than 6.0 percentage points above its pre-recession low point. While no industry shows a strong recovery, some signs of improvement are seen in finance, business/professional services, education and healthcare. Interestingly, the recovery in finance and the business/professional services, the largest industries in the state's dominant metro area, is not being seen in Chicago. The recession has been harsh in Illinois, but it has exposed, not created, the state's worst problems. The unemployment rate will peak in the fourth quarter at 11.5 percent, a full percentage point above the national average. The state's number one problem is its unbalanced government budget, a long-term problem that will take many years to fix. Illinois will underperform the nation in the long run.

A recent community contact indicated the region is undergoing difficult economic conditions resulting in contraction in many sectors, including the services industry. This is surprising as the services industry has been resilient in recent years. Nevertheless, there are bright spots in the transportation sector (resulting from current governmental expansion plans) and advanced manufacturing. The contact stated there is a need for affordable housing and there is opportunity for Section 8 housing. In addition, lending to "start-up" businesses is also needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *Illinois*:

COMMUNITY DEVELOPMENT LENDING

BLIL has demonstrated an excellent responsiveness to community development needs by providing a high level of community development loans. Since the previous FDIC evaluation, BLIL originated or renewed 26 community development loans, totaling \$43.4 million, which represents 26.4 percent of total state deposits (\$163.9 million) and 15.8 percent of total state loans (\$274.9 million), as of December 31, 2009. BLIL actively supports the provision of healthcare to LMI individuals through its community development lending within this assessment area. The following are BLIL community development loans:

- BLIL originated or renewed 25 loans or lines of credit for \$42.2 million to companies that provide healthcare services to low- and moderate-income individuals. The loans and lines of credit were to nursing homes, rehabilitation centers, and healthcare providers. The companies' primary source of income was Medicaid, which is the government's medical insurance for LMI individuals.
- In 2009, the bank increased an \$800,000 line of credit to a \$1.2 million facility, which includes a \$400,000 million bridge loan, to a not-for-profit organization that is dedicated to advocating for individuals with special needs. The organization provides support training services, therapies, and residential programs for children and adults who have developmental disabilities and mental illness. The organization receives its funding from the Department of Human Services and Department of Child and Family Services.

COMMUNITY DEVELOPMENT INVESTMENTS

BLIL has an adequate record of participating in community development investments within its assessment area. Community development investments totaled approximately \$1.1 million, representing approximately 0.7 percent of state deposits (\$163.9), as of December 31, 2009.

- BLIL's major investment consisted of a \$1.0 million allocation investment in the CRA Fund by the bank within this assessment area.
- BLIL has continued to maintain a \$100,000 certificate of deposit at ShoreBank of Chicago, a designated CDFI. The bank continues to renew this CD at each maturity.

Additionally, BLIL has made monetary contributions totaling \$30,000 to various community development organizations that serve the LMI neighborhoods of its assessment area. These organizations included the following: Neighborhood Housing Services of Chicago, the Greater Chicago Food Depository, Accion, and the Chicago Community Loan Fund.

COMMUNITY DEVELOPMENT SERVICES

BLIL has an adequate level of participation in community development services. The following summarizes the bank's efforts.

- A bank officer has taught a financial planning course targeting LMI youth and young adults. The course is sponsored by Habitat for Humanity.
- A bank officer continues to work in the finance office of the YMCA of Metropolitan Chicago. The YMCA provides a variety of services such as subsidized child care and Head Start programs for low-income families.

APPENDIX A

SCOPE OF EXAMINATION

The examination scope included community development activities in which the bank participated since the previous FDIC Evaluation, including all community development loans, investments, and services funded or supported by Bank Leumi USA. Wholesale bank procedures were used at this evaluation:

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	May 29, 2007 to March 31, 2010	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Bank Leumi USA		Community Development Loans Community Development Investments Community Development Services

Wholesale and Limited Purpose Performance Evaluation

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
NEW YORK New York-Northern New Jersey-Long Island, NY-NJ-PA MSA #35620	On-site	Main Office	None
CALIFORNIA Los Angeles-Long Beach-Glendale, CA MD #31084 San Francisco-San Mateo-Redwood City, CA MD #41884	Off-site Off-site	None	None
ILLINOIS Chicago-Naperville-Joliet, IL-IN-WI MSA #16980	Off-site	None	None
FLORIDA Miami-Fort Lauderdale-Miami Beach, FL MSA #33100	Off-site	None	None

APPENDIX B

SUMMARY OF STATE AND MULTI-STATE MSA RATINGS

State or Multi-state MSA Name	State Rating
New York	Outstanding
California	Outstanding
Illinois	Outstanding
Florida	Outstanding

APPENDIX C - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans

have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX C - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be

claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.